UNIVERSITY EXAMINATIONS

2ND SEMESTER 2022/2023 ACADEMIC YEAR

FIRST YEAR EXAMINATION FOR THE DEGREE OF BACHELOR OF AGRIBUSINESS

AGEC 111: INTRODUCTION TO AGRICULTURAL ECONOMICS

STREAM: AGED   *TIME: 2 HRS*

DAY: WEDNESDAY [14.30 – 14.30P.M.]   DATE: 12/04/2023

THIS QUESTION PAPER CONSISTS OF THREE (3) PAGES

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INSTRUCTIONS: ANSWER QUESTION ONE & ANY OTHER TWO QUESTIONS.

QUESTION ONE: 30 MARKS

a) Briefly explain FIVE factors that influence the demand for an agricultural good

(10 marks)

b) Briefly explain the concept of marginal revenue and marginal cost **(5 marks)**

c) Discuss FIVE types of constraints that may limit the profit that can be made by a firm

(10 marks)

d) The demand for salt is perfectly inelastic" Explain what you understand by this statement, and give reasons why it is probably true.' **(5 marks)**

QUESTION TWO: 20 MARKS

a) Discuss the four factors of production. **(10 marks)**
b) Explain the major constraints to agricultural development in Kenya. **(10 marks)**

QUESTION THREE: 20 MARKS

a) With the aid of diagrams, explain the stages of the law of diminishing returns.

(10marks)

b) Explain the causes of initial increasing total returns to a factor. **(5 marks)**

c) Discuss the major economic roles the government is supposed to perform in a market economy **(5 marks)**

QUESTION FOUR: 20 MARKS

Given the following information

Input X	Output Y
0	0
20	64
32	135
45	203
53	238
60	260
70	274
61	259
90	218

i)	Calculate the marginal product	**(4 marks)**
ii)	Calculate the Average product	**(4 marks)**
iii)	Clearly show the boundaries of each stage of production	**(4 marks)**
iv)	Which is the rational stage of operation and why?	(**4 marks)**
v)	Explain the difference between movement along the supply curve and shift in the supply curve. Give examples of factors in each case	**(4 marks)**

QUESTION FIVE: 20 MARKS

a) You have observed over a period of one year that Mr. John consumes two goods X and Y that are complements. And that Ms Mary mainly consumes two goods Z and W that are substitutes. Using a well labelled diagrams explain the effects of a price decrease in prices of Y and W and the introduction of a new cost saving technology in the production of good X and Z. **(10 marks)**

b) Explain the following concepts;
   i) The least cost combination principle of inputs.
   ii) Competitive products and complementary products
   iii) Substitutes and complementary inputs
   iv) Opportunity cost
   v) Perfect and imperfect market structure **(10 marks)**